



Factors of investment preferences in physical assets: A study of public and private sector salaried class in Himachal Pradesh

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Abstract

Investment in the physical assets by salaried class is comparatively high ranked preference in comparison to the investment in financial assets particularly the modern investment avenues which are not considered high ranked for which there are a number of factors involved in this regard including local accessibility, easy management and level of awareness. The investment preferences are actually based upon the different variables and organizational pattern has also a significant influence on determining it. In context to the salaried class, public sector and private sector employees perceive investment preferences on the financial and physical assets in terms of different priorities termed as factors which vary from organization to organization. The research is a modest attempt to examine the factors of investment preferences of public and private sector salaried class in the physical assets.

Keywords: physical assets, investment preferences, salaried class

Introduction

Investment behaviour is the value, belief and perception of the investor in various investment options. The investment behaviour of a person is influenced by various factors like age, knowledge, gender, environment, stages of life, exposure of risk and responsibilities. Individual differences are due to behavioural attributes. These features help in understanding the need for saving and investment and making necessary decisions. The distinctive behaviour of each individual is a big challenge to be analyzed and comprehended which determines the investor behaviour. The role of technology is of key importance to make the individuals more aware, knowledgeable and convince them to understand investment avenues and develop a sound saving and investment environment ^[1].

Investors claim that safety, high return and liquidity to be the most important determinants for investment whereas the small investors are hesitant to invest in stock market due to lack of awareness and information regarding new financial product and services ^[2]. The rise in savings proved that economic reforms of 1991 towards enhanced savings. It highlighted that life insurance and pension/provident fund investments also saw a rise due to structural changes in the economy ^[3].

‘Survey of Indian Investors’ has pointed out that safety and liquidity was most important factors while investing funds. Bank deposits considered the safest avenue followed by Gold, mutual funds and securities, whereas middle income and higher income preferred tax saving schemes ^[4].

Expected corporate earnings, dividend paid, position of financial reports, current economic indicators, past performance of the firm, are the most influencing factors while investing in financial markets whereas religious factors, political party affiliation, environment conditions and family members opinion is least considered for investing on various investment options ^[5]. Behaviour of investor is influenced by risk disinclination, profession and life style attributes ^[6]. It stated that risky portfolio investments have positive relation with income and age and negative with marital status ^[7]. Investor behaviour is influenced more by personal relation than, advertisement in journals, magazines, newspaper, TV or other mass media. Investors rely more on word of mouth advertisement from satisfied investor or individual having sufficient knowledge about financial instruments ^[8]. Household portfolios of financial wealth by comprehending between risky (securities) and risk free assets (saving accounts) said that two major factors for the determining the allocation between risky and risk free assets are financial wealth and marginal tax rate. The individual behaviour is not rational but influenced by the situational and emotional factors and past performance determines the inclination to buy and sell ^[9]. Knowledge, experience and income are the most crucial factors that influence young generation investment behaviour towards mutual fund. It pointed that women should be made more aware about financial knowledge and experience as gender difference has an important impact on experts for financial wealth management ^[10]. Maximization of wealth is the ultimate objective for investment. Investors need to make sound decisions free from sentiments and intuitive decisions to enhance wealth. Higher the level of education more the risk taking capacity directly influences investment and financial knowledge ^[11].

Investment in the physical assets by salaried class is comparatively high ranked preference in comparison to the investment in financial assets particularly the modern investment avenues which are not considered high ranked for which there are a number of factors involved in this regard including local accessibility, easy management and level of awareness. The investment preferences are actually based upon the different variables and organizational pattern has also a significant influence on determining it. In context to the salaried class, public sector and private sector employees perceive investment preferences on the financial and physical assets in terms of different priorities termed as factors which vary from organization to organization. The research is a modest attempt to examine the factors of investment preferences of public and private sector salaried class in the physical assets.

Objectives

The research is endowed to accomplish the following objectives:

- To examine the ranking of salaried class on the basis of preference in physical and financial assets
- To study the factors of preferences for investment in physical assets by public and private sector employees

Scope and Methodology

Data was collected from 360 employee respondents from public and private sector organizations from three districts of Himachal Pradesh; Shimla, Solan and Kangra. The survey period of this primary study was during the year 2021 when mobility was permitted which was banned because of Pandemic. Based upon the structured questionnaire, the responses were taken from them. Weighted average score, percentage and ranking were used to obtain the results. Conclusion has been drawn and measures have been recommended.

Analysis and Discussion

The results of the research are discussed as under:

Ranking of Salaried Class on the basis of Preference in Physical and Financial Assets

The salaried class employees including Public and Private Sector employees have been ranked as per their investment pattern in Physical and Financial assets on the basis of their preference. In the category of physical and financial assets categorized to seek the information of the informants regarding their preferences, physical assets are considered as all tangible assets which can be seen and touched whereas financial assets as are considered as such intangible assets which cannot be seen in physical form and are in the form of documents representing ownership rights. Five investment options each is given for physical and financial assets. The table 1 represents the preferences of all employees including Public and Private sector employees for such physical and financial asset options followed by computation of weighted averages of the ranks of these options of the respective preferences depicted in table 1 (a).

1. Preference of All Employees in Physical and Financial Assets

The preferences of the salaried class employee informants with regard to the selective physical and financial assets are as below:

Table 1 Preference of All Employees in Physical and Financial Assets

| Physical Assets | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Gold | 144 (40) | 105 (29.17) | 88 (24.44) | 16 (4.44) | 7 (1.94) |
| Silver | 0 | 90 (25) | 104 (28.89) | 151 (41.94) | 15 (4.17) |
| Agri Land | 14 (3.89) | 86 (23.89) | 99 (27.5) | 147 (40.83) | 14 (3.89) |
| Real Estate | 205 (56.94) | 61 (16.94) | 59 (16.39) | 32 (8.89) | 3 (.83) |
| Others | 4 (1.11) | 8 (2.22) | 10 (2.78) | 15 (4.17) | 321 (89.17) |
| Financial Assets | Rank 1 | Rank 2 | Rank 3 | Rank 4 | Rank 5 |
| Bank Deposits | 238 (66.11) | 43 (11.94) | 39 (10.83) | 21 (5.83) | 19 (5.28) |
| Post Office | 38 (10.56) | 199 (55.28) | 80 (22.22) | 35 (9.72) | 8 (2.22) |
| Govt Securities | 4 (1.11) | 15 (4.17) | 36 (10) | 254 (70.56) | 51 (14.17) |
| LIC/PPF | 62 (17.22) | 88 (24.44) | 182 (50.56) | 12 (3.33) | 16 (4.44) |
| Corporate Securities | 23 (6.39) | 20 (5.56) | 9 (2.5) | 34 (9.44) | 274 (76.11) |

Source: Researcher's Compilation

Note: Figures in parenthesis show percentages

From the above table it can be seen that in the category of physical assets, gold has been ranked first by 144 respondents (40 %) followed by second rank given by 29.17 percent (n=105) and only 1.94 percent (n=7) who have given fifth rank to it. In case of preference to silver, no respondent has given first rank whereas maximum 41.94 percent (n=151) respondents have given fourth rank followed by 28.89 percent (n=104) respondents have given third rank and second rank given by 25 percent (n=90) respondents. So, preference to silver has been found in great majority in third and fourth ranks. Further, 3.89 percent each in rank one and five of the responses are indicative of preference given to the agricultural land whereas majority i.e. 40.83 percent (n=147) gave

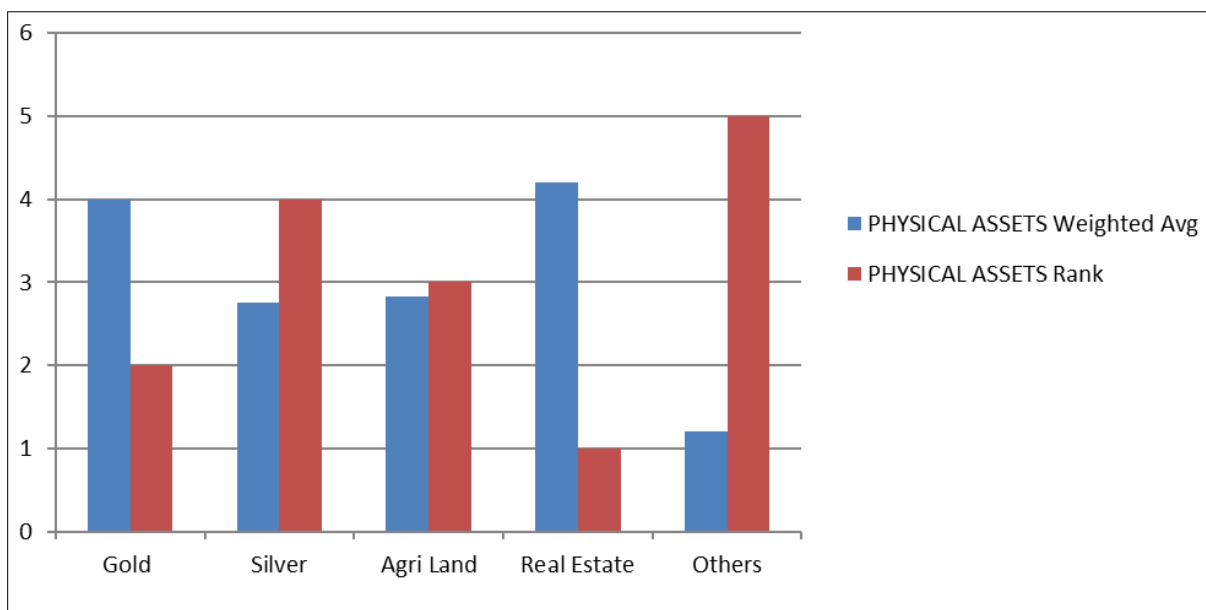
fourth rank to it. Highest preference for real estate is pertaining to rank one given by 56.94 percent (n=205) respondents followed by 16.94 percent (n=61) who gave second rank and only three respondents (less than one percent) gave fifth rank to it. While knowing about preference of the salaried class employees for other assets, the results show that 1.11 percent (n=4) have given first rank and 89.17 percent (n=321) respondents gave fifth rank to invest in any other physical asset. Thus, the results show that real estate and gold are the prioritized high ranked physical assets investment preferences against the least preferred investments like silver and others by the salaried class. Further, as per the table, the preference regarding bank deposits indicates that 66.11 percent i.e. 238 respondents gave first rank to it while the same investment option has been preferred at second place by 11.94 percent (n=43) respondents and fifth rank given by 5.28 percent (n=19) respondents. Post office savings which were at one stage of time, very popular for investments by people, does not seem to be preferred much by the employees as only 10.56 percent informants have given first rank to it and accordingly, as per the respondents it is at second or third rank (55.28 % ranked it at second and 22.22 % at third rank). Talking about government securities as per the ranks given by the respondents, they are ranked first by 1.11 percent (n=4) respondents with majority giving fourth rank by 70.56 percent (n=254) respondents and fifth rank by 14.17 percent respondents. Out of all the respondents, 6.39 percent considered first rank, whereas majority that is 76.11 percent (n=274) respondents gave fifth rank to corporate securities. As per the first rank given to various physical assets, real estate is ranked first with 56.94 percent (n=205) respondents whereas gold stands second in the first rank with 40 percent, agricultural land is at third with 3.89 percent (n=14) and silver is placed at the lowest in first rank where no respondent has given first rank to it. Among the responses for preference of financial assets, highest percentage of respondents stated bank deposits (66.11%) at first rank, then LIC & PPF at first rank with 17.22 percent, third place in first rank is given to post office with 10.56 percent and fourth and fifth levels as per the responses of first rank are given to corporate securities and government securities with 6.39 percent and 1.11 percent respectively.

1. (a) Weighted Average of Investment Options for Physical and Financial Assets: All Employees

Total score of the Physical and Financial Assets is calculated on the basis of ranks given by the employees to each investment option by giving weightage of Five points given to the first rank, four points to the second rank and in the same way, one point given to fifth rank according to the preference given. Weighted average score is calculated as shown in the following table 1 (a).

Table 1: (a) Weighted Average Score of Preferences for Physical and Financial Assets: All Employees

| Physical Assets | | | Financial Assets | | |
|-----------------|--------------|------|----------------------|--------------|------|
| | Weighted Avg | Rank | | Weighted Avg | Rank |
| Gold | 4.00 | 2 | Bank Deposits | 4.28 | 1 |
| Silver | 2.75 | 4 | Post.Office Savings | 3.62 | 2 |
| Agri Land | 2.83 | 3 | Govt Securities | 2.08 | 4 |
| Real Estate | 4.20 | 1 | LIC/PPF | 3.47 | 3 |
| Others | 1.20 | 5 | Corporate Securities | 1.57 | 5 |



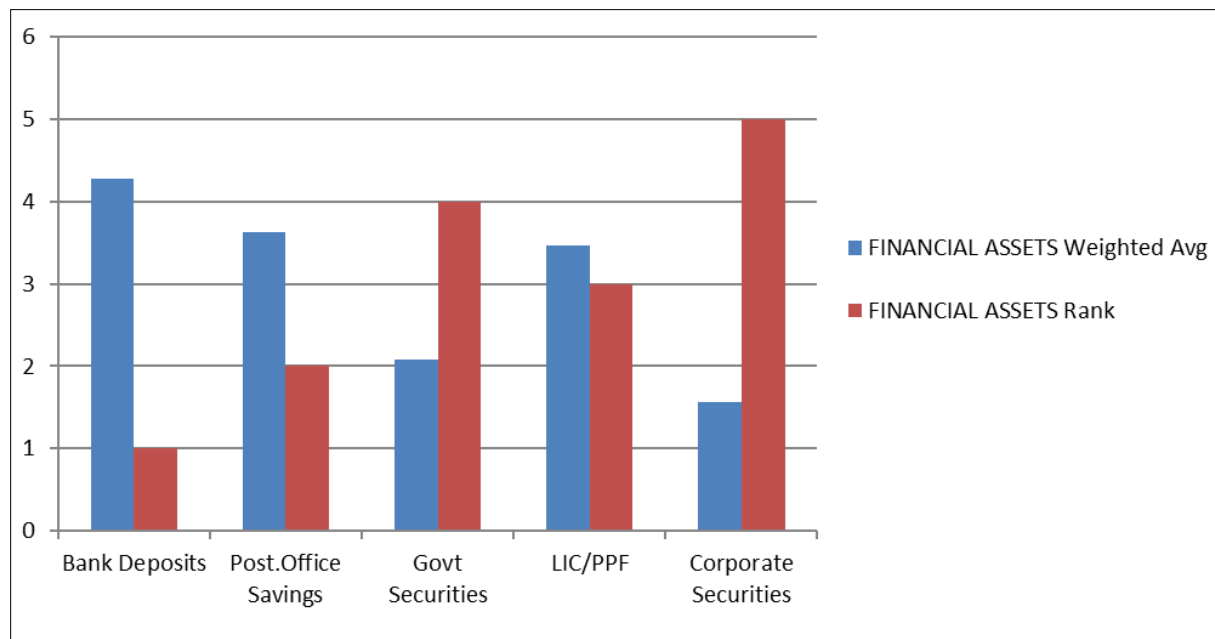


Chart 1a: depicts Physical and Financial Assets Weighted Average and their Ranks

As per the weighted average score of investment option for physical assets, it is found highest for real estate that is 4.20 ranking at first followed by gold with weighted average score of 4.00 at second, agricultural land with average score of 2.83 and silver and any other physical assets with weighted average scores as 2.75 and 1.20. The weighted average scores of financial assets were; bank deposits 4.28, post office savings with 3.62, LIC & PPF with 3.47, government securities with 2.08 and corporate securities with 1.57. Thus in a nutshell it is concluded that in Physical assets Real estate and gold are the most preferred assets whereas in case of financial assets Bank deposits and Post office are most preferred and securities are least preferred.

2. Factors of Preferences for Investment in Physical Assets: Public and Private Sector Employees

Respondents of the present research have enlisted the factors which are considered by them as the criteria for investing and preferring particular types of physical assets for investment. Broadly, these criteria or factors responsible as preferences for investment in physical assets are categorized into four major categories including local accessibility of the physical investment avenue, easiness of the option for managing, simplicity in the procedural formalities accomplished and better awareness about the physical asset for investment in comparison to the other financial assets. Table 2 shows the responses with regard to invest in physical assets revealed by the public and private sector respondent employees.

Table 2: Factors of Preferences for Investment in Physical Assets: Public and Private Sector Employees

| Preference | Public Sector | Private Sector | Total (All Employees) |
|--|---------------|----------------|-----------------------|
| Local Accessibility | 84 (46.67) | 87 (48.33) | 171(47.5) |
| Easily Managed | 77(42.78) | 81 (45) | 158(43.9) |
| Procedural Simplicity | 5 (2.78) | 5 (2.78) | 10(2.8) |
| Better Awareness as compared to Financial Assets | 14 (7.78) | 7 (3.89) | 21(5.83) |
| Total | 180 (100) | 180 (100) | 360 (100) |

Source: Researcher's Compilation

Note: Figures in parenthesis show the percentages

The above table indicates that while investing in physical assets, majority of public sector employees (46.67%) gives preference to local accessibility as a major factor of investment followed by those who consider such investments which are easily managed (42.78 %). Meager 7.78 percent of the respondents from public sector stated that they prefer to invest in such physical assets which are better known and they are aware about such investments and consider better than the investment in financial assets. Moreover, five respondents from the public sector admitted that they consider procedural simplicity as the factor for investment in the physical assets. On the other hand, higher percentage of the responses of the employees from private sector organizations has considered local accessibility and easiness of managing the physical assets as the major factors for investing in such assets. Investment in physical assets by private sector employees has been admitted by 48.33 percent who prefer local accessibility while investing and 45 percent prefer to invest if the physical assets are easily manageable. Consequently, just 3.89 percent of the respondents feel that they prefer to invest in the physical assets as they have better awareness of such physical assets in comparison to investment in financial assets and

2.78 percent argued that simplicity of procedures is the criteria to invest in physical assets. Overall, according to 47.5 percent respondents, investment in physical assets is due to local accessibility followed by 43.9 percent who stated easy management as the criteria for investing in the physical assets, 5.83 percent feel better awareness of physical assets in comparison to financial assets and 2.78 percent prefer simplicity of procedures for investing.

Conclusion and Recommendations

Analyzing the pattern of investment preferences among salaried class in physical and financial assets, it has been summarized from the research findings that real estate is the most preferred physical asset due to local accessibility and easy management and bank deposits is the most preferred financial asset due to safety of investment and advantageous in terms of regular and steady source of income generation. Since encouragement of financial investments is quite useful for economic growth and prosperity of the governance and supportive to the development model, there is a need to establish a separate department of Financial Advisory Services consisting of financial experts from academia, finance, accountancy and the related areas at the Central, State and District levels to frequently contact and interact with masses and spread awareness about effective financial investments. As per the research findings, the investment avenues are preferred due to different motives but time consideration of investment is not given importance. In this regard, Department of Financial Advisory Services recommended in this research, needs to take special sessions to convince the investors particularly the organizational people having regular income and have managed it for consumption, savings and investment. In this regard, the concepts like discounting factor and Net Present Value of money need to be practically explained by the experts.

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